

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 IO-10 ISO-00 SP-02 AID-05 NSC-05

CIEP-01 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02

PA-01 PRS-01 USIA-06 CIAE-00 COME-00 FRB-03 INR-07

NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGR-05 SAM-01

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E.O. 11652: N/A

TAGS: ETRD, SP

SUBJ: SPAIN'S ELIGIBILITY FOR GSP: VIEWS OF MINISTER OF COMMERCE

REF : (A) MADRID 3011; (B) STATE 120075

1. DURING MY JUNE 13 COURTESY CALL ON MINISTER OF COMMERCE CERON AYUSO, HE RAISED QUESTION OF GSP ELIGIBILITY FOR SPAIN. CERON SAID HE DID NOT AGREE THAT SPANISH PREFERENCES AFFORDED EC HAD SIGNIFICANT ADVERSE EFFECT ON U.S. EXPORTS, INASMUCH AS SPANISH IMPORTS FROM U.S. HAVE INCREASED AT GREATER RATE THAN UNOIRTS FROM EC SINCE 1970 PREFERENTIAL TRADE AGREEMENT. RATHER THAN ANTICIPATING POSITIVE BENEFITS FROM GSP, ACCORDING TO CERON, SPAIN CONCERNED OVER NEGATIVE IMPACT ON SPANISH EXPORTS AS RESULT OF GSP GRANTED TO COMPETITORS AT SIMILAR LEVEL OF ECONOMIC DEVELOPMENT, E.G., ARGENTINA DND BRAZIL. CERON RECALLED THAT WHEN HE WAS MFA DIR GEN INTERNATIONAL ECONOMIC AFFAIRS AND BEFORE PASSAGE
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OF 1974 TRADE ACT, HE HAD PROPOSED TO THEN COMMERCE SECRE-

TARY PETERSEN AND THEN DEPUTY UNDER SECRETARY SAMUELS AN APPROACH THAT WOULD PROVIDE FOR GRADUAL PHASING OUT OF GENERALIZED PREFERENCES FOR SPAIN OVER PERIOD OF SEVERAL YEARS. THIS WOULD ALLOW A COUNTRY LIKE SPAIN TO ADJUST TO ADVERSE IMPACT FROM COMPETITORS BENEFITING FROM GSP.

2. I INFORMED CERON THAT U.S. WAS STILL STUDYING ITEMS OF INTEREST ON WHICH SPAIN HAS GRANTED TARIFF PREFERENCE TO EC AND IMPACT OF PREFERENCES ON U.S. EXPORTS. WHEN STUDY COMPLETED, U.S. WILL BE PREPARED TO DISCUSS IN GREATER DETAIL ACTIONS SPAIN MIGHT TAKE TO OFFSET ADVERSE EFFECT. I CAUTIONED CERON THAT LEGISLATIVE HISTORY OF TRADE ACT MAKES CLEAR THAT PROVISIONS OF SECTION 502(B) 3 DERIVE FROM LONGSTANDING U.S. CONCERN OVER REVERSE PREFERENCES ACCORDED EC BY MEDITERRANEAN AND OTHER ASSOCIATED COUNTRIES. I SAID I HAD SOME DOUBTS AS TO WHETHER HIS PHASING OUT PROPOSAL WOULD BE POSSIBLE UNDER TRADE REFORM ACT. I PROMISED, HOWEVER, TO REPORT HIS IDEA TO WASHINGTON AND SEEK A REACTION.

3. COMMENT: GOS OFFICIALS STILL SPEAK ONLY IN GENERAL TERMS REGARDING ADVERSE EFFECT THEY ANTICIPATE FROM SPAIN NOT BEING BENEFICIARY OF GSP. THEY ARE STILL IN PRELIMINARY STAGES OF STUDYING IMPACT AS EVIDENCED BY RECENT COMMERCE MINISTRY REQUEST TO USE EMBASSY'S COPY OF U.S. TARIFF SCHEDULE. SINCE QUESTION UNDER SECTION 502(B)E OF TRADE ACT IS INITIAL ELIGIBILITY OF SPAIN FOR GSP, EMBASSY WILL MAKE CERTAIN THEY UNDERSTAND THAT SECTION 504(C) OF TRADE ACT PROVIDES FOR PHASING OUT OF BENEFICIARY STATUS ON AN ARTICLE-BY-ARTICLE BASIS WHEN SALES TO THE U.S. REACH A CERTAIN LEVEL.

4. I WOULD APPRECIATE WASHINGTON'S REACTION TO FEASIBILITY OF PHASING OUT PROPOSAL AS SUGGESTED BY CERON. STABLER

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